



consideration of City government to be included alongside the City's proposal for a 1 cent sales tax in the upcoming election and requested that a later meeting be held with the City Manager and various other city officials to discuss that proposal and submitted and went over each of three (3) supporting documents presented to the pension Board. A date for the requested meeting was set for July 26, 2011. Mr. Young made a motion [00.24.56 into the pension meeting audio] to allocate up to \$20,000 from the pension fund for he and Mr. Hensley to purchase media advertisement or professional services to promote the half cent sales tax proposal after obtaining a review by the pension board attorney of the legality of such a motion. The motion was seconded by Mr. Harrod and passed by a majority vote of the Board with only Ms. Lenehan voting in opposition to the motion. At that time, Mr. Hensley made a motion to have Ms. Lenehan submit the Board's sales tax proposal to city government and that motion was seconded by Mr. Harrod and passed by a unanimous vote of the Board.

- C. Mr. Hensley stated [00.29.21 into the pension meeting audio] that he wanted Ms. Lenehan to look into the proper method to use for our Board to employ a new general counsel for our fund that would supplement our existing counsel and report her findings back to the Board at the next pension board meeting.

**Agenda Item #4. Approval of the June Regular Meeting Minutes**

[00.43.53 into the pension meeting audio.]

Mr. Young stated that there were modifications to the originally submitted minutes that concerned Items 4 and 8A. Mr. Hensley made a motion to accept the June Minutes as amended and Mr. Wood seconded that motion that passed by a unanimous vote of the Board.

The modification to the May Pension Minutes Item 10B as follows:

Report on effort to obtain base benefits for calculation of "additional appropriation" under SB181 — Ms. Lenehan provided a report that was prepared by the State Actuary and was subject to change that was headed "2012 Projection of Premium Tax Allocation" and "2016 Projection of Premium Tax Allocation". Ms. Lenehan stated that the 2012 section of the report should not be considered as the legislative changes will be implemented over the next five years with full implementation by 2016. The estimated current pension turn back funds projected for allocation to the Police Pension Fund are approximately \$500,395. With the full implementation of SB181 in 2016, the estimated allocation to the Police Pension Fund is \$1,126,613. In addition, the Fund is projected to receive approximately \$375,538 in additional funds which represent funds distributed under the new plan that replaces the former Guarantee Fund for projected insolvent plans. Ms. Lenehan stressed that these numbers are tentative and subject to change but should provide us with a basic understanding of the benefit of SB181 to the Little Rock Police Pension and Relief Fund.

The modification to the May Pension Minutes Item 11A follows:

Discussion of DROP Interest Rates (Mr. Hensley) — Ms. Lenehan presented several examples of DROP interest calculations to illustrate the impact of the average annual balance calculation and the timing of DROP withdrawals on the amount of DROP interest applied to member

accounts. Based on her meeting with David Clark at the PRB, she recommended that the average annual balance calculation be modified to include month end account balances. In doing so, the interest applied to DROP accounts would be less impacted by the timing of withdrawals and more closely aligned with a daily average balance. In order to facilitate the monthly average calculation, Ms. Lenehan recommended that withdrawals be limited to once a month. Mr. Hensley made such a motion that was seconded by Mr. Harrod and passed by a unanimous vote of the Board and later amended to go into effect on September 1, 2011.

The modification of the June Pension Minutes for Item 8A as follows:

A. Sales Tax Report — Mr. Moore stated that the police pension fund would get, if the sales tax passes as proposed, an annual amount of \$500,000. He also explained that the Fire pension fund would get another \$500,000, because they are almost as badly underfunded, and the non-uniform employees would get the remaining \$3.6 million to start a new pension fund because, according to Ms. Lenehan, the City does not want the additional expense of merging them with APERS. Mr. Moore and Ms. Lenehan explained that with the money from the passage of SB 181 [now Act 979 of 2011] and the \$500,000 from the proposed City sales tax, the fund should get over one million dollars annually in additional revenue.

Mr. Harrod then discussed the possibility of merging the police pension fund with LOPFI with a 3% COLA and, on several different occasions during the meeting, requested a meeting of the Funding Committee to be convened, as quickly as possible, that both City Manager Moore and City Director Fortson would attend to discuss this option and obtain a LOPFI merger report. Mr. Moore was obviously reluctant to attend such a meeting and stated he was scheduled to be out of town on all but Monday and Tuesday of the following week and the 4<sup>th</sup> of July holidays were approaching but after several more attempts by Mr. Harrod and Mr. Hensley to obtain such a meeting and after they stressed the importance to the fund of both Mr. Moore and Mr. Fortson's attendance, Mr. Moore finally stated he would "try" to attend such a meeting and instructed Ms. Kathy Lindsey, of the Pension Fund Administrative Staff, to schedule the committee meeting as requested.

Mr. Hensley continued the conversation by adding that, given the serious underfunded status of the Little Rock Police Pension Fund and the similar status of the Little Rock Fire Pension Fund that is almost as underfunded as the police fund, he believed the City's division of only \$1 million dollars between those two seriously underfunded pension plans with the remaining 3.6 million dollars going to create yet another new pension fund was insulting to the two existing underfunded pension plans when the City has an unfunded liability of over \$78 million to the police pension fund alone. Mr. Hensley added that the fund's membership would never realize any future benefit increase or cost of living adjustment without a merger with LOPFI with a 3% COLA. Mr. Watson, who is also a PRB member along with Mr. Hensley, expressed a similar view on this issue.

[Mr. Moore had to step out of the pension meeting briefly and asked that the Board move onto the Treasurer's report until he returned. Upon his return, the Board resumed this Agenda item discussion after having previously discussed Item #10 on the Agenda.]

Mr. Moore stated [01.34.48 into the pension meeting audio] that the community meetings held with the public would end by June 25<sup>th</sup> and he suspected the decision from the City Board on “which way the City was going” on their request for a sales tax increase would be made on Tuesday June 28<sup>th</sup> so that allowed two weeks to hold the requested committee meeting. [Note: As of July 1, 2011, the date of these minutes, no meeting had been scheduled; however, a meeting was finally scheduled immediately following the July 14 regular meeting of the Police Pension Board.]

**Agenda Item #5. Report from Board Legal Consultant**

[No legal counsel present]

**Agenda Item #6. Report from Board Financial Consultant**

[00.46.17 into the pension meeting audio]

A. June Financial Report —Mr. Jordan, Financial Consultant for the Fund, gave the June 2011 financial report and stated that on June 30, 2011, the market value of the total Fund was \$46,683,163, not including accrued income of \$47,646. Of that amount, \$22,898,055.98 was allocated to DROP. This represents a decrease in the account balance of (\$460,860) since the May 31, 2011 total amount of \$47,148,389. The component of this change was unrealized income of \$63,501.42 and net contributions/withdrawals of \$1,167. [Note: The amounts quoted in the previous sentence are drawn from figures available in other sections of the financial report and are not presented for computational value.] The Fund’s overall market rate of return for the month of June 2011 was (0.98%) and 4.09% calendar year to date.

Mr. Hensley wanted the Minutes to reflect that the QE3 (the third round of quantitative easing) that our fund managers briefly discussed will likely create increases in inflation rates that will “crush” our membership’s buying power without their receiving any benefit increases when the inevitable inflation that will come factors into their earnings that our financial advisors agreed with.

**Agenda Item #7. Report of Board Lobbyist**

[Pension Board Lobbyist Mr. Roger Smith was unable to attend the pension meeting.]

**Agenda Item #8 Report from Board Chairman**

[01.08.08 into the pension meeting audio]

[The Acting Chairman was absent from the meeting]

Mr. Young asked Ms. Lenehan she was aware of whether or not Mr. Moore had written his policy on security screening at City Hall or had received the written opinion from the City Attorney on that same issue. She stated that it was her understanding that Mr. Moore had the authority to establish a policy and it was done but she had not seen it.

**Agenda Item #9. Report from Board Secretary**

[01.13.38 into the pension meeting audio.]

A. Mr. Young stated he wanted to thank Kathy Lindsey for securing a file cabinet for his use.

**Agenda Item #10. Report from Board Treasurer**

[01.14.14 into the pension meeting audio.]

A. Financial Reports for June — The Treasurer submitted copies of the un-audited financial report for June 30, 2011. Net Income/Losses to the plan year to date was (\$1,453,968). The report indicated that as of June 30, 2011, the total account fund balance including the DROP was \$47,553,404. The net income/loss for the month of June was (\$1,127,543).

Also submitted were copies of the June 2011 expense and legal fee reports. Total expenditures, excluding benefit related expenses, were \$5,350.88 for the month and \$19,918.81 year to date. Legal fees paid were \$71,567.94 year to date.

Following the review of the June financial and expense reports, Mr. Harrod made a motion to approve them as submitted that was seconded by Mr. Hensley. The motion passed by a unanimous vote of the Board.

B. Report on change of membership status — There were no additions or deletions from our pension rolls for the current month.

**Agenda Item #11. Board Member Topics of Discussion**

[01.19.51 into the pension meeting audio]

[There were no topics of discussion mentioned by board members]

**Agenda Item #12. Fund Members Comments**

[01.20.05 into the pension meeting audio]

Fund Member Roger Wallis asked if he had the right to ask questions of the Board. Mr. Young advised him to get the attention of whoever was Chairing or Officiating at the meeting and he would be recognized to speak. Mr. Wallace then asked what the impact would be on our fund if the debt limit were not raised in Washington D.C. Ms. Lenehan and Mr. Hensley attempted to answer his question to the best of their abilities but Mr. Young recommended that he return and ask that same question or any other question he wished of our financial consultants at our next pension meeting.

**Agenda Item #13. Other Business**

[01.25.05 into the pension meeting audio]

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Because there were two members of the media who remained present throughout the pension board meeting, Mr. Young asked if either of them had any questions or comments for the Board but they replied they did not.

**Agenda Item #14. Adjourn Meeting**

[01.25.24 into the pension meeting audio.]

Mr. Harrod made a motion to adjourn the meeting and Mr. Hensley seconded the motion that passed by a unanimous vote of the Board at approximately 10:38 hours.

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Respectfully Submitted,

Stephen R. Young  
Board Secretary